

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 EB-08 AID-05 ABF-01 TRSE-00
OMB-01 L-03 CIAE-00 INR-07 NSAE-00 AF-08 ARA-06 EA-07
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FM USMISSION USUN NEWYORK

TO SECSTATE WASHDC PRIORITY 2189

INFO AMEMBASSY MOSCOW PRIORITY

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY ROME

C O N F I D E N T I A L USUN 0239

E.O. 11652: GDS

TAGS: UNDP, EAID

SUBJ: 23RD UNDP GOVERNING COUNCIL -- NEGOTIATIONS ON UNDP'S
ACCUMULATION OF NON-CONVERTIBLE CURRENCIES

REF: USUN 238

1. SUMMARY: INFORMAL CONSULTATIONS WITH WESTERN COUNTRIES
AND THE SOVIET DELEGATION CONTINUE. GUIDANCE IS REQUESTED
WITH REGARD TO INFORMAL WESTERN COUNTRIES' DRAFT PROPOSAL.
END SUMMARY.

2. THE DELEGATION HAS BEEN CARRYING OUT INTENSIVE CONSULTATIONS
ON THE QUESTION OF NON-CONVERTIBLE CURRENCIES SIMULTANEOUSLY
WITH THE SOVIET DELEGATION AND WITH WESTERN DELEGATIONS.
IN AN INFORMAL WESTERN COUNTRY DRAFTING SESSION YESTERDAY
A DRAFT PROPOSAL WAS PRODUCED WHICH GENERALLY HAS THE
SUPPORT OF WESTERN COUNTRIES. THE U.S. DELEGATION WAS
UNABLE TO HAVE INCLUDED IN THIS DRAFT THE U.S. INITIATIVE
INVOLVING A SUBSTITUTION BY LDCS OF THEIR CURRENCIES IN
PLACE OF THE ATTRIBUTED RUBLES IN THEIR IPF'S. THE
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UK AND CANADIAN DELEGATIONS WERE APARTICULARLY OPPOSED
TO THIS APPROACH ON THE GROUHDS THAT IT WOULD PROMOTE
"BILATERALISM" IN A MULTILATERAL PROGRAM. THEY ALSO
CLAIMED THIS WOULD BE IN VIOLATION OF UNDP FINANCIAL
REGULATION 6.5 (WHICH PROHIBITS NEGOTIATIONS BETWEEN
CONTRIBUTING AND RECIPIENT COUNTRIES ON THE USE OF
CURRENCIES CONTRIBUTED TO THE UNDP). A NUMBER OF OTHER

WESTERN COUNTRIES SHARED THESE VIEWS (ITALY ON THE OTHER HAND HAS BEEN A STAUNCH SUPPORTER OF THE U.S IDEA).

3. THE DRAFT PRODUCED BY THE WESTERN GROUP CALLS FOR THE CURRENT ACCUMULATION OF NON-CONVERTIBLE CURRENCIES TO BE PLACED IN AN UNDISTRIBUTED RESERVE AND TO BE TRANSFERRED INTO THE PROGRAM ONLY WHEN THEIR UTILIZATION WAS REALISTICALLY ANTICIPATED. IN THE DRAFT, THE ADMINISTRATOR IS CAUTIONED TO ABIDE BY ALL RELEVANT EXISTING REGULATIONS IN HIS EFFORTS TO FIND APPROPRIATE USES FOR THE ACCUMULATED CURRENCIES. THE WESTERN COUNTRIES' DRAFT (TEXT BEING CABLED SEPARATELY TO THE DEPARTMENT AND AMEMBASSY MOSCOW) IS TO BE PROPOSED FOR INCLUSION IN THE DRAFT DECISION ON AGENDA ITEM 4, (FINANCIAL AND RELATED MATTERS) WHICH IS BEING WORKED OUT BY AN INFORMAL COUNCIL WORKING GROUP. THE WORKING GROUP HAS TEMPORARILY SUSPENDED ITS WORK PENDING RECEIPT OF A WESTERN COUNTRIES' DRAFT. BUDGETARY AND FINANCE COMMITTEE CHAIRMAN MALIK HOPES THE WORKING GROUP WILL BE ABLE TO MEET AGAIN ON TUESDAY, FEBRUARY 1. THE DEPARTMENT'S GUIDANCE WITH RESPECT TO THE PROPOSED WESTERN COUNTRIES' DRAFT IS REQUESTED.

4. DELEGATION COMMENTS: WHILE THE DRAFT WESTERN COUNTRIES' PROPOSAL, IF ADOPTED, WOULD NOT GIVE THE ADMINISTRATOR THE SPECIFIC GUIDELINES HE HAS SOUGHT, IT WOULD REPRESENT A MAJOR INCREASE OF PRESSURE ON THE USSR TO RESOLVE ITS SHARE OF THE PROBLEM. THE DELEGATION RECOMMENDS IT BE AUTHORIZED TO SUPPORT THIS DRAFT. SINCE THE U.S. CONFIDENTIAL

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INITIATIVE PROVIDING FOR SUBSTITUTION BY RECIPIENT COUNTRIES OF THEIR CURRENCIES FOR RUBLES WAS NOT INCORPORATED IN THE WESTERN COUNTRIES' DRAFT, WE ARE FREE TO PROCEED WITH IT BILATERALLY IN PARALLEL WITH THE WESTERN COUNTRIES' DRAFT, AND WE ARE DOING THIS. (SEE SEPTTEL REPORTING ON ADDITIONAL DISCUSSIONS WITH THE SOVIET DELEGATION JANUARY 28.)

5. WE FEEL THAT THE NEW U.S. INITIATIVE IS PLAYING AN EXCELLENT CATALYTIC ROLE IN GETTING COUNTRIES TO FOCUS ON THIS PROBLEM. ALTHOUGH NOT YET ACCEPTED BY SOME KEY DELEGATIONS, WE ARE GETTING TREMENDOUS MILEAGE OUT OF IT AND FOR THIS REASON WE FEEL IT BEST NOT TO FORCE THE ISSUE AT THIS TIME. IT CAN CONTINUE TO SERVE IN THE BACKGROUND AS A FUTURE OPTION. BETWEEN NOW AND THE JUNE SESSION WE CAN WORK MORE ACTIVELY ON IT WITH COUNTRIES WHO SEEM TO BE MORE RECEPTIVE TO IT BUT NEED MORE TIME FOR CONSULTATIONS.
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Message Attributes

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